

ANNUAL REPORT



NEW HOSCO MINES LIMITED

FOR THE YEAR ENDED AUGUST 31, 1969.

NEW HOSCO MINES LIMITED

15th Floor - 4 King St. West
TORONTO 1, ONTARIO

OFFICERS

J.P. Sheridan, B.A.Sc., P.Eng. *President*

A.T. Kana, B.Sc., C.A. *Secretary-Treasurer*

DIRECTORS

J.P. Sheridan, B.A.Sc., P.Eng.

M.Juby, B.Sc.

J.A.W. Bruce

A.T. Kana, B.Sc., C.A.

TRANSFER AGENT

Canada Permanent Trust Company
Toronto, Ontario

W. Giff
B. Kana

AUDITOR

Gerald R. Hillsdon
Chartered Accountant
Suite 218, 159 Bay Street
Toronto 1, Ontario

NEW HOSCO MINES LIMITED

President's Report

It is with pleasure that we herewith submit our Annual Report for the year ending August 31st, 1969.

DANIEL TOWNSHIP PROPERTY — Matagami Lake, Quebec

The production from the Daniel Township Property is shown on the attached table (Table 1) which shows the production for Fiscal Year 1969 on a quarterly basis. Also appended to this report you will find the Mine Manager's report. A review of these figures illustrates the decrease in tonnage milled and metal production as the year progressed. This decrease in mill tonnage will continue and it is believed that approximately February 1st all commercial ore on this property will be exhausted. The decision to deepen the shaft has not as yet been finalized but it would appear from our investigations to date that it will not be feasible to deepen the shaft.

As of the date of writing, there are still three drills exploring on the Daniel Township Property. Two of these drills are located underground and are exploring the possible extension of the previously indicated copper deposits below the 900 foot level. One rig employed on the surface is exploring a tuff horizon. Although the surface rig has cut some small copper intersections in the tuff horizon and is continuing to investigate the favourable horizon, no orebodies have as yet been indicated.

In addition, to this current drilling programme, a detailed and comprehensive geophysical programme was carried out at the Daniel Township Property during the past year involving detailed magnetic surveys, electromagnetic surveys and IP surveys. These results were not encouraging but in order to eliminate all reasonable possibilities before finally closing the property, a programme was commenced to drill several minor geophysical anomalies. Part of this programme was carried out last winter on the river ice and part of the programme is still in progress.

Method of Treating Depreciation

In the current financial report, we have depreciated the mine assets to what we believe is their net realizable value in liquidation. We believe that in this manner your statements of income in future will more closely reflect the actual operating conditions at the mine.

JOANNES TOWNSHIP PROPERTY

The original gold property from which minor gold production was obtained prior to 1950 and located in Joannes Township, Quebec, was abandoned this year with the exception of maintaining the claims in good standing. The plant located on this property was, in the opinion of management, obsolete and worthless and it has been written off in the Company's books.

THE RENZY MINES NICKEL COPPER PROPERTY

In July of this year, the Renzy property held under lease from Renzy Mines Limited, was brought to production at a rate of 500 tons per day. This mine — as you will recall, was the subject of much discussion at your Company's shareholders meetings last year. You will probably also recall the opposition by Mr. Boaz Miller and his so-called Shareholders Protective Association was in direct opposition to the programme and financing which was designed to bring this mine to production. Notwithstanding these unwarranted and misleading objections on behalf of Mr. Miller, your Company forged on "under

some difficulty" and successfully completed the development programme in record time, substantially under the estimated budget.

You will note from the financial report that the operating income from this mine in its first full month of production (August, 1969) was substantial. In the first quarter of the current year, 1st September 1969 to 1st December, 1969, the operating income from this mine alone exceeded \$500,000. Accompanying this report is a brochure illustrating the Renzy Mines operation. The mill has been somewhat modified so that it is now capable of milling in excess of 600 tons of ore per day. The mine is operating satisfactorily and the grade of ore is approximately as indicated in our preliminary engineering studies. We believe that this mine will provide a substantial income to your Company for years to come.

The success of this mining operation and the successful completion of the development and construction programme on the property ahead of schedule and under budget is to a large extent due to the energy, devotion and industriousness of the excellent staff operating at this property under the direction of Mr. Ralf Kline, Mine Manager.

Method of Treating Depreciation — Renzy Lake Project

For the purposes of reporting income on this property it has been decided that preproduction and capital expenditures will be depreciated at a fixed rate of \$1.50 per ton milled over the life of the orebody. For the purposes of calculating the income due to Hosco it should be borne in mind that after the income from the property is equal to the development costs, Renzy Mines Limited is entitled to share the profits to the extent of 50%. We believe that your Company, New Hosco Mines Limited, will have completely recovered all its costs in the Renzy Mines project in the current fiscal year.

RENZY MINES LIMITED

In anticipation of the profitable operation of the Renzy Mine and in an effort to broaden the exploration opportunities of your Company, New Hosco has agreed to embark on a joint project with Renzy Mines Ltd. whereby your Company will supply to Renzy Mines Ltd. an advance on its portion of its profits of \$100,000. per year payable on December 31st of each year. This advance will be repaid by Renzy Mines on receipt of its profit from the joint venture. These advances will permit Renzy Mines Ltd. to carry on an independent exploration project. In return for these advances, your Company has been granted the first refusal on providing financing to Renzy Mines Limited for a period of 2 years for the development of any new project discovered by Renzy in its exploration efforts.

SPANISH RIVER OPERATION, KIDD COPPER MINES LTD.

Your Company holds \$666,666. of Kidd Copper Convertible Income Debentures which are convertible into 2,133,332 shares of Kidd Copper Mines Limited and if converted would give New Hosco Mines effective control of Kidd Copper Mines Ltd. and approximately 40% equity interest in its affairs. On December 23rd, 1968 Kidd Copper Mines Limited suspended operations at its copper-nickel mine located at Worthington, Ontario, and commenced a programme designed to bring the Spanish River mine, held under lease from Spanish River Mines Limited, to production at a rate of 15,000 tons per month and to mill the ore at the Kidd Copper concentrator located at its Worthington, Ontario property. Commercial production from this property was commenced in the early part of June 1969. We are pleased to report that although final figures are not yet available for the Company's year end, Kidd Copper Mines Limited will show a substantial operating profit from its Spanish River Project in its first six months of production. The life of the Spanish River Mine is highly dependent on the critical balance between labour costs and copper prices and assuming the present balance is maintained, the Company should have a successful year in 1970.

OUTSIDE EXPLORATION

In January, 1969, New Hosco Mines Limited in partnership with some of its associate companies acquired, by staking, an interest in a large block of ground in the Uchi Lake Area of Ontario and located in the same general geological

environment as the new copper-zinc discovery of Selco Exploration Limited. Your Company holds a 50% interest in about 447 claims.

An agreement is presently being negotiated with a major mining corporation for a joint venture on a portion of one of the claim groups. The remainder of the ground will be explored by a joint venture of New Hosco and some of its associate companies in the forthcoming year. This programme, presently underway, will involve a substantial amount of ground geophysical surveys with follow up diamond drilling.

In addition, your Company has examined a number of prospects and mining opportunities in the past year and it is expected that before the end of 1970 the scope of your Company's operation in the mining industry will have been substantially increased.

INVESTMENT PORTFOLIO

As was indicated in the last Semi-Annual Report, the Company has developed a substantial investment portfolio and it should be of interest to note that in the current year approximately \$245,000.00 of your Company's income came from profits from the sale of securities, dividends and interest received. You will be pleased to note that this trend to increased profits from this investment portfolio has been further increased and in the first quarter of the current year, profits on the sale of investments together with dividend and interest income have exceeded \$200,000.00. You should also note that the expansion of the profit potential of your Company's investment portfolio was also objected to quite strenuously by Mr. Miller and his so-called Shareholder's Protective Association.

*only profit of \$40,000
no money lost - but for*

Perhaps if he would also object to some of the Company's current moves, they will turn out equally as well as those he has objected to in the past year.

TRADING IN THE CORPORATION'S SHARES

On October 15th, 1968, the Toronto Stock exchange suspended trading in the shares of your corporation. Their exact reasons for their action has apparently varied as the year progressed. In a recent editorial published in a leading Toronto daily newspaper and purporting to represent the position of the Toronto Stock Exchange on the matter, the newspaper stated that the Company's shares had been suspended because your Directors refused to have the shareholders approve certain transactions of the corporation entered into with companies associated with your Directors and your Directors voted shares at the Company's Annual Meeting which the Toronto Stock Exchange had asked them not to vote. You will perhaps recall that it was during the course of the Company's Annual Meeting last year at which you had been asked to approve these transactions that the shares were, in fact, suspended, and you will perhaps also recall that at that Meeting, the Directors did not vote the shares in question.

Your Company's President, on your behalf, has on several occasions petitioned the Chairman of the Ontario Securities Commission to call a hearing to determine if, in fact, the suspension of the trading in your shares by the Toronto Stock Exchange is warranted. To date for technical reasons, the Ontario Securities Commission has refused to hear the appeal against the action of the Toronto Stock Exchange but they did convene a public hearing on October 30, 1969 at which the rights of the Toronto Stock Exchange to suspend trading in the manner in which New Hosco shares were suspended, was called to question.

As of the date of writing, the Ontario Securities Commission has not reached a decision on the matter. The matter has also been raised in the Ontario Provincial Parliament and The Hon. H.L. Rowntree, charged with the responsibilities of administering the securities business in Ontario, has refused to state whether or not the Toronto Stock Exchange has, in fact, exceeded its rights on a number of occasions similar to the New Hosco suspension.

It is almost ridiculous to note that while the Toronto Stock Exchange has maintained that the shares of your Company were under suspension from trading through the facilities of the Toronto Stock Exchange, every member of the Toronto Stock Exchange has been permitted to trade in the shares of your Company. The Toronto Stock Exchange has

been permitted to trade in the shares of your Company. The Toronto Stock Exchange has merely stopped publishing for the public's benefit the daily volumes and price ranges in the trading of your Company's securities. It is very difficult for any reasonable person to believe that this action of the Toronto Stock Exchange, has, in fact, been entered into with the public's interest in mind.

It should also be of interest for the investing public to note that the amount of money spent by your Company in Northern Canada in its current fiscal year is approximately the same amount as was raised by all members of the Toronto Stock Exchange through the facilities of the Toronto Stock Exchange for the mining development of our north Country in the same year.

DIRECTORS OF YOUR CORPORATION

Your President regretfully announces the resignation of Mr. George Disler, Ph.D. P.Eng. and Mr. Allan Dennis, C.A. from the Directorship of your Board during the course of the year and is pleased to nominate for the forthcoming year, Mr. Bruce M. Young, Mining Executive and Mr. William Griffin, Mine Manager, as replacements for the forthcoming year.

OUTLOOK FOR THE COMPANY

While it is quite probable that the Daniel Township mine will close operations in 1970, the Company is still looking forward to a substantial increase in profits for the current fiscal year. In addition, the Company is hopeful that its mining activities and its associate investment activities will be substantially increased in the current year. The management wishes to thank its employees and the management of the mines for their services and devotion for the past year. We also wish to acknowledge with thanks the support your management has received from some of its faithful shareholders during the past most difficult year.

We look forward to meeting with you at our forthcoming Annual Meeting and we wish you all the compliments of the Season.

Toronto, Canada
December 15, 1969

J.P. SHERIDAN, P.Eng.
President.
on behalf of the Board of Directors.

NEW HOSCO MINES LIMITED

TABLE 1

DANIEL TOWNSHIP Quarterly Mine Operating Figures

	<u>1st quarter</u>	<u>2nd quarter</u>	<u>3rd quarter</u>	<u>4th quarter</u>	<u>Total</u>
Tons Milled	81,913	70,344	77,614	76,301	306,172
Grade					
Recovered:					
Copper	1.06	.71	.62	.72	.78
Zinc	1.80	1.88	1.14	1.38	1.55
Copper produced pounds	1,733,714	999,862	966,618	1,104,998	4,805,192
Zinc produced pounds	2,945,390	2,639,660	1,775,520	2,112,032	9,472,602
Value of copper produced	\$ 866,857	\$ 499,931	\$ 483,309	\$ 552,499	\$2,402,596
(Note 1)					
Value of zinc produced	\$ 147,270	\$ 131,983	\$ 88,776	\$ 105,601	\$ 473,630
(Note 2)					
Value of gold and silver	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 48,000
Total operating costs	\$ 678,833	\$ 623,278	\$ 572,862	\$ 559,405	\$2,434,378
(note 3)					
Operating costs per ton	\$ 8.28	\$ 8.86	\$ 7.38	\$ 7.33	\$ 7.95
Investment income	\$ 51,973	\$ 83,224	\$ 54,602	\$ 56,984	\$ 246,271

NOTE 1; Copper has been evaluated at 50¢ per pound, freight, smelter, refining and sales charges are included in operating costs.

NOTE 2: Zinc has been evaluated at 5¢ per pound.

NOTE 3: Total operating costs include all operating and costs of the company not specifically allocated to other projects and include all exploration costs at the property.

NEW HOSCO

(Incorporated under the laws of the Province of Ontario)

Balance Sheet

AUGUST 31, 1969

(with comparative figures for 1968)

Assets

	1969	1968
CURRENT ASSETS		
Cash and short term deposits	\$ 634,794	\$2,188,675
Marketable securities at cost (market value 1969 \$1,102,450; 1968 \$438,504)	1,216,981	446,534
Smelter settlements outstanding at estimated realizable value	1,392,932	1,107,172
Deposit with commodity broker (note 1)	242,038	—
Accounts receivable	10,728	89,768
Prepaid expenses	8,905	4,543
Total Current Assets	3,506,378	3,836,692
Investments in Other Companies at Cost		
Affiliated company (market value \$37,080)	34,139	—
Kidd Copper Mines Limited convertible income debentures plus accrued interest of \$110,000 (note 2)	776,666	—
	810,805	
DANIEL TOWNSHIP, QUEBEC		
Buildings, machinery and equipment, at cost less depreciation of \$899,156; 1968 \$778,192.	206,231	399,382
Preproduction expenditures, less amounts written off (note 3)	—	620,431
Supplies, at average cost.	4,794	6,231
Mining concession and claims, at nominal value	1	1
	211,026	1,026,045
RENZY LAKE PROJECT, HAINAUT TOWNSHIP, QUEBEC (note 4)		
Buildings, machinery and equipment at cost and preproduction expenditures less depreciation and amounts written off of \$23,136	1,434,908	—
OTHER ASSETS		
Special refundable tax	38,162	104,477
Mining property, buildings and equipment, Joannes Township, Quebec, at nominal value ...	2	2
Other mining claims	27,219	1
	65,383	104,480
	\$6,028,500	\$4,967,217

Auditor's Report

I have examined the balance sheet of New Hosco Mines Limited as at August 31, 1969, and the comparative balance sheet for 1968. My examination included a general review of the accounting procedures and the internal control system, and such other procedures as I considered necessary in the circumstances.

In my opinion these financial statements present fairly the financial position of New Hosco Mines Limited as at August 31, 1969, and the comparative financial position for 1968, in accordance with generally accepted accounting principles, giving effect in that year to the change in accounting for preproduction expenditures as required by the Companies Act.

Toronto, Canada
November 21, 1969

MINES LIMITED

(In accordance with the laws of Ontario)

Balance Sheet

As at August 31, 1969

(Comparative figures as at August 31, 1968)

Liabilities

	<u>1969</u>	<u>1968</u>
CURRENT LIABILITIES		
Accounts payable and accrued	\$ 402,809	\$ 329,985
Mining taxes payable	—	24,810
	<u>402,809</u>	<u>354,795</u>
 SHAREHOLDERS' EQUITY		
Capital Stock — par value \$1.00 each (note 5)		
Authorized 4,000,000 shares		
Issued 3,675,000 shares		
(1968 2,875,000 shares)	3,675,000	2,875,000
Deduct discount less premium	704,587	1,104,587
	<u>2,970,413</u>	<u>1,770,413</u>
 Contributed surplus arising from		
reduction of capital	808,239	808,239
Surplus	<u>1,847,039</u>	<u>2,033,770</u>
	<u>5,625,691</u>	<u>4,612,422</u>
 Approved on behalf of the Board:		
 “J. P. Sheridan” Director		
 “A. T. Kana” Director		
	<u>\$6,028,500</u>	<u>\$4,967,217</u>

Report

I have examined the balance sheet of the Company as at August 31, 1969 and the results of its operations and the source and accounting principles applied on a basis consistent with that of the preceding year after taking into account the information contained in note 3 to the financial statements.

I have also examined the statements of income, surplus and source and application of funds for the year ended August 31, 1969 and the results of its operations and the source and accounting principles applied on a basis consistent with that of the preceding year after taking into account the information contained in note 3 to the financial statements.

GERALD R. HILLSDON
Chartered Accountant

NEW HOSCO MINES LIMITED

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 1969

1. Copper Futures:

At the balance sheet date the Company had contracts outstanding covering the sale for future delivery of 3,472,000 pounds of copper on an average price of 70.7¢ per pound. At that date the spot price on the London market was the equivalent of 80.4¢ per pound. *Aug. 31*

2. Kidd Copper Mines Limited Debentures:

During the year the Company purchased \$666,666 Kidd Copper Mines Limited 6% convertible income debentures due March 31, 1971 at par plus accrued interest of \$85,605 which are convertible at the option of New Hosco into 2,133,332 shares of capital stock of Kidd Copper Mines Limited. If the debentures are converted into shares of capital stock and subsequently disposed of, the Company has agreed to pay to the vendors of the debentures 50% of the net profit on the transaction. *Interest waived*

3. Preproduction Expenditures, Daniel Township, Quebec:

The basis of accounting was changed during the year to reflect the amortization of preproduction expenditures on the basis of proven ore reserves rather than estimated ore reserves at the date of commencement of commercial production. On this basis these expenditures would have been fully amortized prior to the 1968 fiscal year and accordingly the unamortized balance has been charged against surplus and the 1968 figures re-stated to be on a comparative basis. If the basis of amortization had not been changed during the year the write-off for 1969 would have been \$412,100 compared with a write-off for 1968 of \$442,500.

4. Renzy Lake Project:

The Company acquired at a cost of \$1 a lease of mining claims containing a known ore body in Hainaut Township, Quebec from Renzy Mines Limited for a period of twenty years from January 29, 1969, renewable for a further period of twenty years, at an annual rental of \$100 plus a variable yearly rent equal to 50% of the annual net profits after recovery by New Hosco of all the funds advanced on the project plus 6% interest. Under the terms of the agreement the Company agreed to bring the leased premises into such condition as to be capable of operating efficiently at a minimum rate of 500 tons of ore per day which was accomplished in July, 1969 on a tune-up basis with commercial production commencing on August 1, 1969.

5. Capital Stock:

During the year 800,000 shares of capital stock were issued at \$1.50 per share for a total consideration of \$1,200,000 and the purchaser thereof granted an option to purchase all or any part of an additional 200,000 shares of capital stock at \$1.50 per share which was exercised in full subsequent to the balance sheet date.

The Company has reserved 250,000 shares of its capital stock for options to key personnel of the Company of which options have been granted on 50,000 shares at a price of \$1.25 per share and on 180,000 shares at a price of \$1.50 per share exercisable for the duration of their employment with the Company. The Company has agreed to use its best efforts to cause its authorized capital to be increased if such action is necessary to enable the full exercise of the options.

6. Income Taxes:

No provision for income taxes was required for 1968 or 1969 as income from the Daniel Township mine was exempt from income taxes until November 30, 1966 and a portion of preproduction expenditures amortized in the accounts in prior years is deductible for income tax purposes for the subsequent period. Income from the Renzy Lake mine is exempt from income taxes until August 1, 1972 after which depreciation and preproduction expenditures will be available as a deduction from income for income tax purposes.

7. Depreciation and Preproduction Expenditures:

Depreciation has been provided on the cost of the buildings, machinery and equipment located in Daniel Township at the rate of 15% per annum. These assets have, in the opinion of management, been depreciated to their present realizable value.

Depreciation of the buildings, machinery and equipment located at the Renzy Lake mine and amortization of the preproduction expenditures thereon are being made at the rate of \$1.50 per ton of ore milled. This rate is adequate to fully write off these expenditures against production of the proven ore reserves at the date of commencement of commercial production.

8. Other Statutory Information:

Direct remuneration to directors and senior officers, including the five highest paid employees, as required by the Corporations Act, was \$44,785 for the year ended August 31, 1969, none of which has been paid to the present directors.

9. Pending Law Suit:

An action has been commenced against the Company by a shareholder acting on behalf of himself and certain other shareholders for a declaration that the sale of 800,000 shares of capital stock at a price of \$1.50 per share, the option to purchase an additional 200,000 shares of capital stock at \$1.50 and the purchase of an investment portfolio at a cost of \$1,228,019 are null and void. The Company has entered a defence against this action and in the opinion of the Company's legal counsel it will be successfully defended.

NEW HOSCO MINES LIMITED

STATEMENT OF INCOME YEAR ENDED AUGUST 31, 1969.

	1969	1968
Daniel Township, Quebec		
Metal recovery	\$2,793,327	\$3,106,667
Deduct marketing charges	493,242	490,800
	<u>2,300,085</u>	<u>2,615,867</u>
Operating Expenses		
Mining and development	850,825	1,005,130
Milling including ore haulage	886,487	938,144
General	203,824	199,141
Depreciation	164,812	180,132
	<u>2,105,948</u>	<u>2,322,547</u>
Operating Income (12 months)	<u>194,137</u>	<u>293,320</u>
Renzy Lake, Hainaut Township, Quebec		
Metal recovery	260,379	—
Deduct marketing charges	59,193	—
	<u>201,186</u>	<u>—</u>
Operating Expenses		
Mining	9,529	—
Milling	58,130	—
Rental	100	—
Depreciation and amortization of preproduction expenditures	23,136	—
	<u>90,895</u>	<u>—</u>
Operating Income (1 month)	<u>110,291</u>	<u>—</u>
Total Operating Income	<u>304,428</u>	<u>293,320</u>
Other Income		
Profit on sale of securities	41,842	374
Dividends and interest	204,429	149,116
	<u>550,699</u>	<u>442,810</u>
Other Deductions		
Administrative and corporate expenses	73,372	46,341
Exploration	37,202	94,986
Directors' fees	—	4,050
Interest	—	3,364
Miscellaneous	6,425	—
	<u>116,999</u>	<u>148,741</u>
Net Income	<u>\$ 433,700</u>	<u>\$ 294,069</u>

NEW HOSCO MINES LIMITED

STATEMENT OF SURPLUS

YEAR ENDED AUGUST 31, 1969

	<u>1969</u>	<u>1968</u>
Balance at beginning of year	\$2,033,770	\$4,048,698
Add Net Income	433,700	294,069
	<u>2,467,470</u>	<u>4,342,767</u>
Deduct		
Dividends paid	-	575,000
Mining property, exploration expenditures and buildings and equipment, Joannes Township, written down to nominal value	-	977,695
Mining claims and expenditures thereon, other areas written down to nominal value	-	313,802
Daniel Township unamortized preproduction expenditures written off (note 3).	620,431	442,500
	<u>620,431</u>	<u>2,308,997</u>
Balance at end of year	<u>\$1,847,039</u>	<u>\$2,033,770</u>

NEW HOSCO MINES LIMITED

SOURCE AND APPLICATION OF FUNDS

YEAR ENDED AUGUST 31, 1969

	<u>1969</u>	<u>1968</u>
Source of Funds		
Operations		
Net Income	\$ 433,700	\$ 294,069
Depreciation and other items not requiring a current outlay of funds	187,948	180,132
	621,648	474,201
Issue of capital stock for cash	1,200,000	—
Special refundable tax	66,315	19,784
Decrease in supplies	1,437	—
Disposals of equipment	29,232	—
	<u>1,918,632</u>	<u>493,985</u>
Application of Funds		
Investments in other companies	810,805	—
Renzy Lake project	1,458,044	—
Dividends paid	—	575,000
Exploration expenditures deferred	—	7,703
Additions to machinery and equipment	893	32,995
Increase in supplies	—	548
Acquisition of mining claims	27,218	—
	<u>2,296,960</u>	<u>616,246</u>
Decrease in working capital	378,328	122,261
Working capital at beginning of year	3,481,897	3,604,158
Working capital at end of year	<u>\$3,103,569</u>	<u>\$3,481,897</u>
Represented by:		
Current assets	\$3,506,378	\$3,836,692
Current liabilities	402,809	354,795
	<u>\$3,103,569</u>	<u>\$3,481,897</u>

NEW HOSCO MINES LIMITED

MANAGER'S ANNUAL REPORT

October 2, 1969

Gentlemen:

The following report summarizes operations at the Daniel Township property of New Hosco Mines Limited in northwest Quebec, for the fiscal year ended the 31st August, 1969.

PRODUCTION

The tonnage mined, hoisted and trucked to the Orchan concentrator for treatment on a toll basis was 306,172 tons for an average of 839 tons per day, as compared with 898 tons per day during 1968. The tonnage was lower because fewer working places were available as ore reserves were depleted.

The average grade of the ore sent to the mill was 0.99% copper and 2.17% zinc. Some 14,500 tons of copper concentrate containing 4,805,200 pounds of copper, and 9,100 tons of zinc concentrate containing 9,472,600 pounds of zinc were loaded to railway cars for shipment to smelters.

MINE

There were no discoveries of new ore. As the previously drill-indicated mineralized zones were systematically investigated and mined or eliminated, underground exploration and mine development were reduced.

Drift and raise advances are tabulated below:

	Fiscal Years		
	<u>1969</u>	<u>1968</u>	<u>To Date</u>
Exploration and mine development (feet)	419	1,652	16,435
Stope preparation work "	<u>3,653</u>	<u>4,477</u>	<u>25,604</u>
Total "	<u>4,072</u>	<u>6,129</u>	<u>42,039</u>
Underground diamond drilling "	12,023	21,655	90,704

ORE RESERVES

At the 1st of September 1969, the proven ore reserves, including broken ore, were estimated to be 301,000 tons containing an average of 1.0% copper and 1.3% zinc.

The 1968 estimate of 624,100 tons averaging 1.1% copper and 2.2% zinc was reduced by the tonnage mined and by revised calculations as more detailed information from development work in the mineralized zones became available. More than 60% of the tonnage remaining in reserve is in the "B" zone and averages 0.7% copper and 1.9% zinc.

GENERAL

At the end of August, 48 persons were employed in the mining operations as compared with 45 a year earlier. Labour turnover was higher and productivity was slightly lower due to three-shift continuous operation. A new collective labour agreement with the employees, represented by the United Steelworkers of America, was made for a three-year period from the 20th of December 1968.

Total costs per ton milled at the minesite were slightly lower than for 1968. However, an expected decrease in the number of producing working places in the mine in the next few months will have an adverse effect on unit costs. Therefore, under the prevailing economic circumstances it is doubtful that profitable operation can continue beyond the first quarter of 1970.

Two small mineralized zones were indicated by earlier diamond drilling below the 9th level and the advisability of deepening the shaft some 700 feet to confirm ore dimensions and to extend exploration is being carefully reviewed.

Respectfully submitted,

NORANDA MINES LIMITED — Manager
per: D. Bridger

NEW HOSCO MINES LIMITED

ANNUAL AND GENERAL MEETING OF SHAREHOLDERS

Dec. 23

NOTICE IS HEREBY GIVEN that an Annual and General Meeting of Shareholders of New Hosco Mines Limited (the "Company") will be held at the Alberta Room, Royal York Hotel, Toronto, Ontario, on Monday, the 5th day of January, 1970, at the hour of 9 o'clock in the forenoon (Toronto time) for the following purposes:

1. To receive and consider the financial statements of the Company as at August 31, 1969, together with the report of the auditor thereon.
2. To elect directors.
3. To appoint auditors.
4. To transact such further and other business as may properly come before the meeting or any adjournment or adjournments thereof.

DATED the 15th day of December, 1969.

By Order of the Board.

A.T. KANA,
Secretary-Treasurer.

Shareholders who are unable to attend the meeting in person are requested to complete, date, sign and return the enclosed instrument of proxy. All instruments of proxy must be deposited with the Company at 4 King Street West, at least 48 hours (excluding Saturdays, Sundays and holidays) preceding the meeting and any proxies not so deposited will not be entitled to be voted at the meeting.

NEW HOSCO MINES LIMITED

15th Floor, 4 King Street West
Toronto 1, Ontario.

INFORMATION CIRCULAR

This circular is furnished in connection with the solicitation of proxies by the management of New Hosco Mines Limited (hereinafter called "the Company"), for use at the Annual Meeting of Shareholders of the Company to be held at the Alberta Room, Royal York Hotel, Toronto, Ontario, on the 5th day of January, 1970, at 9:00 a.m. for the purposes set forth in the foregoing Notice of Meeting.

RIGHT OF REVOCATION

A Shareholder executing the enclosed proxy has the power to revoke it any time before it is exercised, by giving notice in writing of such revocation to the Secretary of the Company.

PERSONS MAKING SOLICITATIONS AND METHOD THEREOF

The enclosed proxy is solicited by the management of the Company and the cost of solicitation will be borne by the Company. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited personally by regular employees of the Company at nominal cost.

VOTING OF SHARES AND PRINCIPAL HOLDERS THEREOF

Each share of the Company is entitled to one vote. The Company has only one class of shares. The authorized capital of the Company consists of 4,000,000 shares without par value of which 3,875,000 shares are issued and outstanding as of the 1st day of December, 1969. To the knowledge of the Directors and Senior Officers of the Company only the following two companies beneficially own, directly or indirectly, more than 10% of the capital stock of the Company.

North Canadian Enterprises Limited owns 388,808 shares representing 10.03% of the outstanding shares of the Company.

White Star Copper Mines Limited owns 1,000,000 shares representing 25.81% of the outstanding shares of the Company.

North Canadian Enterprises Limited is a Company wholly owned by Mrs. J.P. Sheridan, wife of the President of the Company. White Star Copper Mines Limited is a Company controlled directly and indirectly by Mr. J.P. Sheridan, the president of New Hosco Mines Limited.

ELECTION OF DIRECTORS

There are presently four (4) directors of the Company. It is the intention of the persons named in the accompanying form of proxy to vote such proxy for the election, as directors, of the nominees hereinafter listed. The management has no reason to believe that the persons named will not be available but in the event that a vacancy among the original nominees occurs prior to the meeting, the proxy will be voted, subject to the above reservation, for a substitute nominee or nominees designated by the management and for the remaining nominees.

Six (6) directors are to be elected to hold office until the next Annual Meeting or until their successors are elected and qualified.

Nominee	Principal Occupation	Became a Director of the Company	Shares of Common Stock Beneficially Owned Directly or Indirectly as of December 22, 1969
J.P. Sheridan (President and Director)	Mining Engineer 4 King Street West, Toronto, Ontario	June 13/68	1
W. Griffin	Mining Engineer Worthington, Ontario		1
Anthony T. Kana (Secretary-Treasurer and Director)	Chartered Accountant 65 Strath Avenue, Toronto, Ontario.	June 13/68	1
Maxwell Juby (Director)	Geophysicist Worthington, Ontario	June 13/68	1
J.A.W. Bruce (Director)	Accountant, Batchawana Bay, Ontario	June 13/68	1
B.M. Young	Mining Executive 18 Ballyronan, Toronto Ontario.		1

REMUNERATION OF MANAGEMENT

The total aggregate remuneration paid by the Company to its directors and senior management during the fiscal year ended August 31, 1969, was \$44,785 none of which has been paid to the present directors.

APPOINTMENT OF AUDITORS

It is intended to vote the proxy to appoint Gerald R. Hillsdon, Chartered Accountant, 159 Bay Street, Toronto, Ontario, as the auditor of the Company to hold office until the next Annual Meeting of Shareholders, unless contrary instructions are given in the enclosed form of proxy.

OPTIONS

Options were granted at \$1.50 per share to be exercised on or before July 12, 1970, to the below listed personnel.

E. Bazinet	Geologist	20,000 shares
J.E. Bruce	Accountant	20,000 shares
L. Danderin	Mining Superintendent	20,000 shares
G. Dimitrieff	Mining Engineer	20,000 shares
W. Griffin	Mining Engineer	20,000 shares
M. Juby	Geophysicist	20,000 shares
A.T. Kana	Controller	20,000 shares
R. Kleine	Mining Engineer	20,000 shares

Further options were granted at \$1.25 to the below listed personnel.

J. Pawson	Mill Superintendent	5,000 shares
E. Quaisser	Electrical Superintendent	3,000 shares
S. Brennan	Accountant	3,000 shares

No consideration was received by the Company for granting the above options. None of the options have been exercised.

PARTICULARS OF MATTERS TO BE ACTED UPON

The management does not know of any matter to be presented for action other than those set forth in items 1-4 of the Notice of Annual Meeting. If other matters not now known shall properly come before the meeting, including a vacancy or vacancies caused by one or more of the nominees for directors becoming unavailable for election, the accompanying proxy will be voted on such matters in accordance with the best judgment of the person or persons voting the proxy.

MANNER OF VOTING PROXIES

The shares represented by proxies received by the management will be voted, and will be voted in accordance with the statements made above except as may otherwise be stated on the accompanying instrument of proxy. It is intended that the accompanying instrument of proxy, if signed, dated and returned to the Company prior to the meeting, will be voted in the election of the board of directors and in favour of the appointment of auditors aforesaid, all as set forth above.

GENERAL

The persons named in the accompanying instrument of proxy are officers of the Company. A Shareholder has the right to appoint any person other than those named to represent him at the meeting and if using the accompanying instrument, should strike out the printed names and insert the name of his nominee in the space provided therefor.

DATED at Toronto December 15th, 1969.

AR12



RENZY MINES LIMITED

LAKE RENZY MINE
HAINAUT TOWNSHIP, QUEBEC

operated by

NEW HOSCO MINES LIMITED

official opening

september 18, 1969

PROGRAM

- 1:30 P.M. Arrival at mine.
- 1:30 - 2:30 P.M. Guided tour of mine, mill and townsite followed by open-pit blast.
- 2:30 - 3:45 P.M. Buffet luncheon with cocktails.
- 3:45 - 4:00 P.M. *Welcome by* R. Kleine, Mine Manager.
Introduction of guest speakers by
R. A. Geisler, President of Renzy Mines Limited.
Address by: The Honourable P. E. Allard,
Minister of Mines for the
Province of Quebec.
— The Honourable Raymond Johnston,
Minister of Revenue for the
Province of Quebec.
— J. P. Sheridan, President of New Hosco
Mines Limited.
- 4:00 P.M. Departure from mine.

OFFICERS AND DIRECTORS

RENZY MINES LIMITED

R. A. Geisler
President and Treasurer

J. M. Godfrey, Q.C.
Secretary

A. C. Thompson

J. Macdonald

A. H. Lindley, Jr.

NEW HOSCO MINES LIMITED

J. P. Sheridan
President and Managing Director

A. T. Kana
Secretary-Treasurer

M. Juby

J. E. Bruce

R. Kleine
Mine Manager

THE LAKE RENZY MINE

History

Copper-Nickel mineralization was found at Lake Renzy by Arthur Thompson and John Atamanik while prospecting in the summer of 1955. The original discovery was made on the north-east side of a small island, midway down the lake, opposite the portage to McKinnon Lake. Additional showings near what is now the north orebody, and at the upper end of the lake, led to the staking of 80 claims.

A new company, Lake Renzy Mines Ltd., was formed to acquire the claims. It was financed by Selco Exploration Co. Ltd. who also conducted an exploration programme. This began late in 1955 with the building of camps on McKinnon Lake. From then to the end of 1956 considerable work was done including geological-geophysical surveys, 30,000 feet of drilling and metallurgical tests.



A. C. Thompson and J. Atamanik,
McKinnon L. Camp, Winter, 1956

This work indicated about 1 million tons of copper-nickel ore beneath the lake. That was not considered sufficiently encouraging in the circumstances however, and the program was discontinued. The following summer Thompson drilled at a new location on the property but lacked the means to do very much. It is worth noting that that location was later found to be part of additional mineralization missed by the original work.

The property lay idle until 1965 when the company was re-organized to Renzy Mines Ltd., and re-financed. Between then and 1968 further work was done consisting of advanced geophysics, 15,000 feet of drilling and detailed engineering. This increased the ore potential of the property and implied the possible existence of an economic mine.



Drilling from a barge on Lake Renzy, Summer, 1966

In the Fall of 1968 the property was leased to Sheridan Geophysics Limited for a period of ten years, renewable for a further ten years at the lessee's option. The lease was reassigned by Sheridan Geophysics Limited to New Hosco Mines Limited and construction was begun on the road into the property in the late Fall of 1968. During the early part of 1969, a 500 ton per day flotation mill was constructed and approximately one billion gallons of water were removed from the lake to expose the orebody. In July 1969 the mine commenced production. This was a remarkable achievement considering that most of the work, including the pouring of foundations and the draining of the lake, had to be done during the winter months. Despite this, the project was completed ahead of schedule and below budget.

The terms of the lease provide that New Hosco Mines Limited will receive out of first profits their monies expended and thereafter the profits will be divided evenly between Renzy Mines Ltd. and New Hosco Mines Limited.



Concentrating plant

General

The property consists of two separate claim groups in Hainaut Township, Quebec, 50 miles north-west of the town of Maniwaki. It includes 37 claims covering approximately 1,480 acres on Lake Renzy, and 9 claims covering approximately 360 acres on Flora Lake.

The mine site on Lake Renzy is connected by 30 miles of gravel road to a paved highway (routes 58 and 11) which runs through Maniwaki. The road distance to Maniwaki is 71 miles.

Geology

The underlying rocks are Precambrian which have been considerably metamorphosed and folded. This folding is reflected in a distinctive concentric drainage pattern in the topography which attracted the original prospecting. Bedrock consists of paragneisses partially invaded by granite and containing scattered apparently concordant ultrabasic intrusives. The youngest rocks are pegmatite dikes.

An ultrabasic mass approximately 1,000 feet by 3,000 feet occupies the northern half of Lake Renzy, and additional ultrabasic masses occur elsewhere on the property. Copper and nickel sulphides occur in the ultrabasics and occasionally in a variety of pegmatite.

The ultrabasic in Lake Renzy forms a series of north-south folds which invariably appear to carry sulphides. Not all of these zones have been thoroughly explored. The most prominent occurs on the east side where mineralization consists of disseminations and/or patches and veinlets of massive mixed pyrrhotite (70%), chalcopyrite (20%), pentlandite (10%), and valleriite (less than 1%). According to independent engineering reports drilling here indicated an estimated 1,012,000 tons of ore (after dilution) grading approximately 0.72% copper and 0.70% nickel available for open pit mining. An additional 980,600 tons of similar grade material is inferred, partially within the planned pit (73,500 tons) and elsewhere, bringing the total ore potential to 1,992,600 tons.

Mining

The original engineering studies indicated that the Renzy orebody consisted of two north-south zones 100-200 feet wide by 700 feet long, lying end to end with a 100 foot offset. An eventual open pit 330 feet wide by 1,500 feet long by up to 180 feet deep was envisaged to remove the ore. The initial mining suggests that both zones are joined and that tonnages tend to be greater than the original estimates.

The ore is being mined in 30 foot benches at the rate of 700 tons per day six days a week. Waste is being removed at roughly the same rate. The equipment for this consists of one percussion drill and a 5½ yard front end loader.



Drilling blast holes in the open pit

The broken ore is fed directly into a portable 32" X 42" jaw crusher in the pit, from where it is trucked to the mill.



Handling ore in the pit crusher

In order to gain access to the ore, Lake Renzy had to be lowered by removing part of its water plus run-off into it. It is estimated that approximately 500 million gallons were drained by gradually deepening the outlet, and an additional 880 million gallons were pumped.

Milling

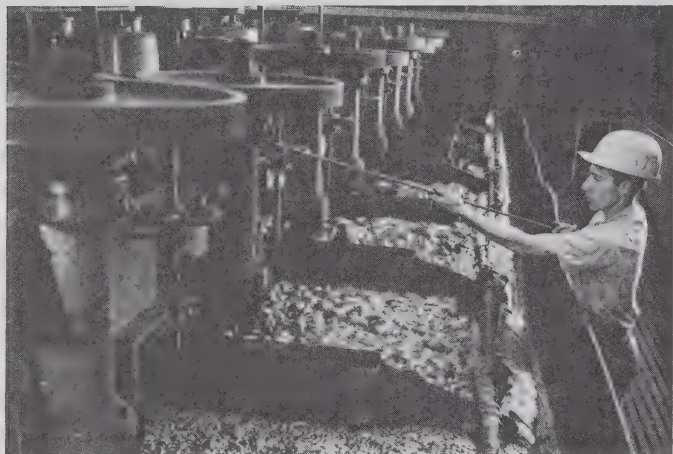
Ore from the jaw-crusher is trucked to a surge pile and then fed through a secondary crusher circuit to an 850 ton fine ore bin. Grinding consists of a single 500 hp ball mill. A standard flotation system utilizing 32 flotation cells is used to produce a bulk concentrate which contains about 8% moisture,

9% nickel, 11% copper, 0.5% cobalt and has low amounts of platinum, gold and silver.

Tailings from the mill are discharged via a quarter mile line to a settling pond.



Hardinge 500 hp ball mill



Floating concentrate

Marketing

The concentrates are trucked to Maniwaki from where they are shipped by train to Sudbury. They are sold to Falconbridge Nickel Mines Ltd. according to a contract which provides for payment of copper at L.M.E. prices, payment of nickel at the current market price and for liberal payments for the precious metals.

Future Plans

Consideration is now being given to increasing the size of the mill to 800 tons per day.

A number of sulphide zones and geophysical anomalies within 1,000 feet or so of the orebody remain to be drilled. This will be done in the course of

developing additional ore. Beyond that, there are a series of geophysical anomalies in ultrabasics elsewhere on the property that will also have to be drilled.

Facilities

A campsite contains seven single family trailers, two bunk houses for forty men, and a commissary seating forty-eight. A more substantial residence has been erected several miles away on Delahey Lake. Catering is contracted.

Water for domestic and mill use is pumped from McKinnon Lake. Electricity is produced by three 1,000 hp diesel generators.



Trailer park at townsite



Meal time in the commissary

THE MANAGEMENT TEAM

R. A. GEISLER, President, Renzy Mines Limited.

Mr. Geisler has been engaged in mining exploration for over 23 years, mainly as a consulting geophysicist. During that time he has served as an officer or director of various Companies. In 1955 he participated in the Grubstake which found the Lake Renzy deposit and, he has been closely associated with work on the property ever since. He has been a director of the company since inception, becoming the president in 1965. His preparations were a significant factor in the speed and low budget with which the mine was placed in production.



**J. P. SHERIDAN, President of Sheridan
Geophysics Limited
President of New Hosco Mines Limited**

Mr. Sheridan is a graduate in Engineering Physics, University of Toronto in 1955. He formed Sheridan Geophysics Limited in 1956 and has been President of that company since its incorporation. In addition,

Mr. Sheridan is managing director of a number of mining corporations and in this position has brought four mines to production since 1965.





RALF KLEINE, Mine Manager

Ralf came to this project as mine manager after being development superintendent for a contractor at the Inco, Thompson project. Formerly underground superintendent at Campbell Chibougamau Henderson mine. He has also worked at Discovery Mines and Madsen Red Lake. This is Mr. Kleine's first mine and he has set an enviable record in bringing the mine from access to the property to the start of milling in only 197 days.

RON J. BUTLER, Mine Engineer — Geologist

Secondary Schooling in Barrie, Ont. Attended Acadia University. McIntyre Porcupine, Boylen Engineering, Campbell Chibougamau Mines Ltd. Henderson II Division. (Wife, four children)

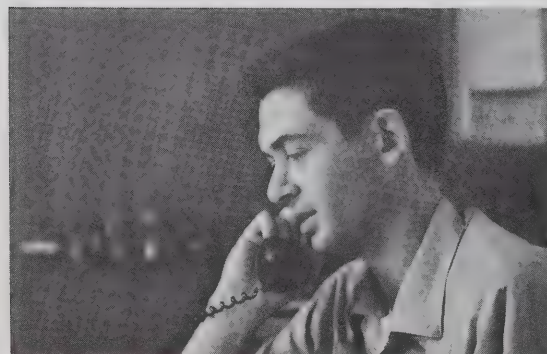


ERIC QUAISSE, Plant Superintendent

Mr. Eric Quaisser has worked with Sheridan Geophysics Limited since 1965 during which time he was employed in the various positions of electrical superintendent, construction superintendent, and at present as plant superintendent. He has worked on such projects as Coppercorp, St. Fabien and Renzy. Prior to his employment with Sheridan Geophysics he was employed on construction projects for Lake Dufault, Orchan and many other development and construction projects in the mining industry in Canada.

GERALD S. PAWSON, Mill Superintendent

Secondary Schooling in Val D'or. Golden Manitou, Rainville Copper, Coldstream Copper, Consolidated Haliwell, Haiti. Marbridge Nickel Mines Ltd. Western Nuclear Mines.



STANLEY BRENAN, Office Manager

Secondary Schooling in Maniwaki. Canadian International Paper Company, Maniwaki Hospital.

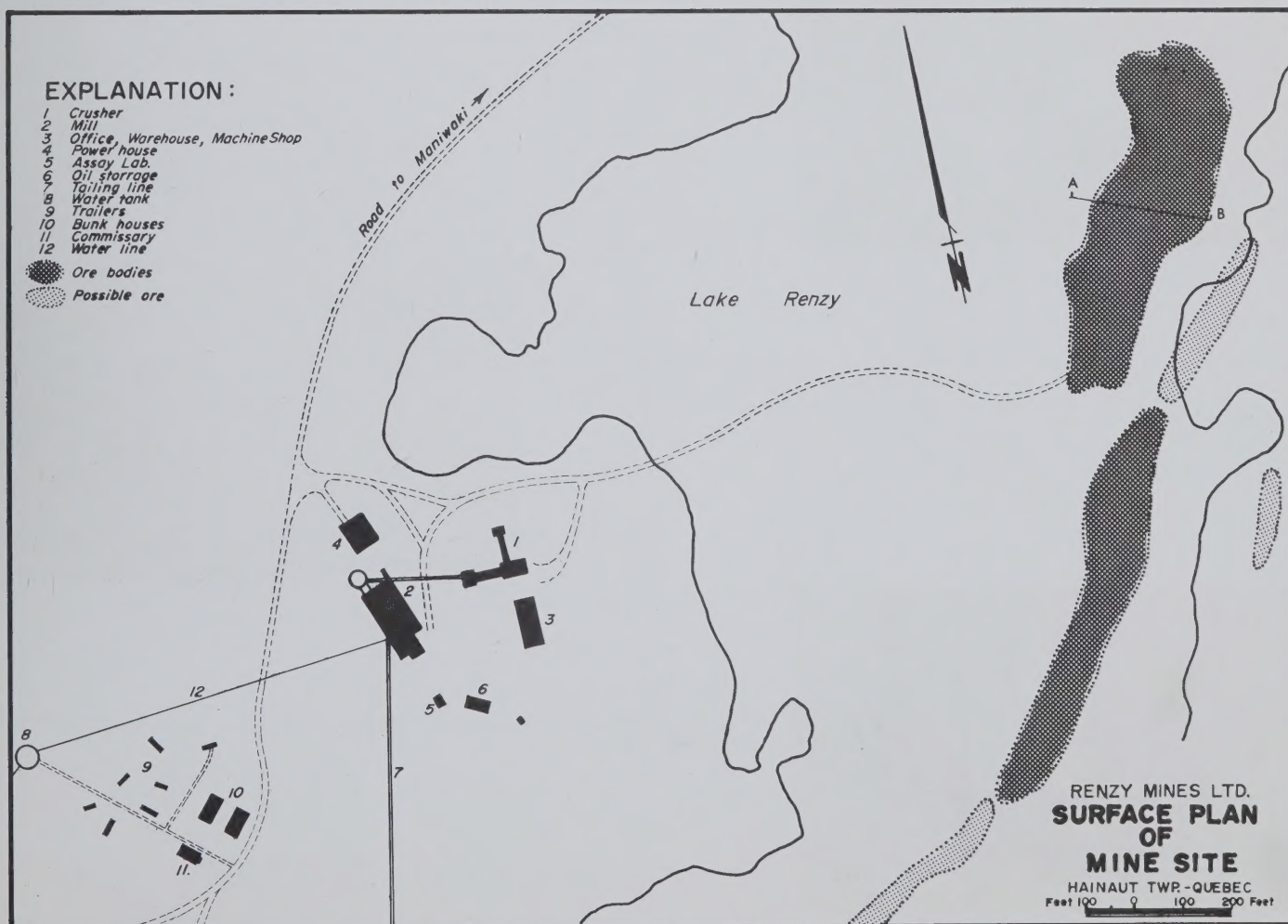
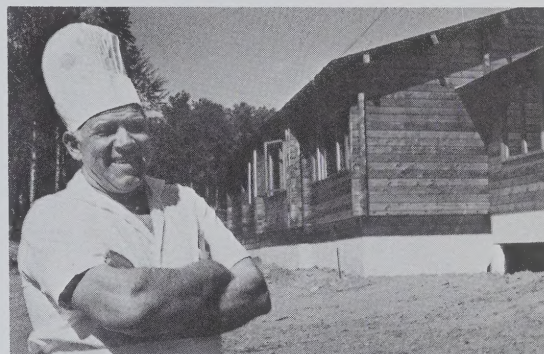


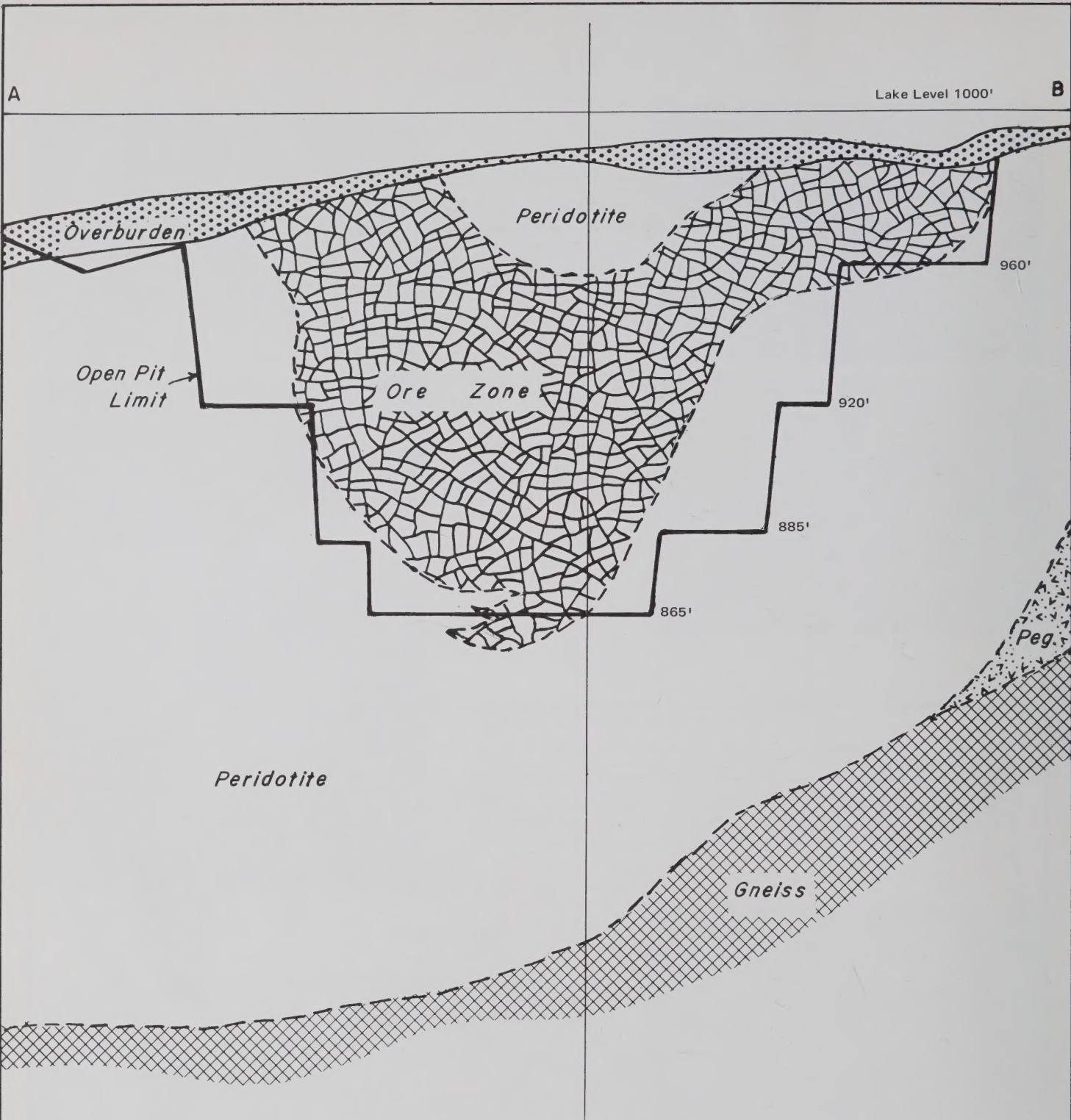
CHRIS KUSK, Assayer

Chris Kusk has been in the employ of Sheridan Geophysics since 1965 during which time he has set up and operated assay laboratories at Coppercorp Kidd Copper and Spanish River Mines. Prior to this he was employed at Opemiska and in commercial assaying.

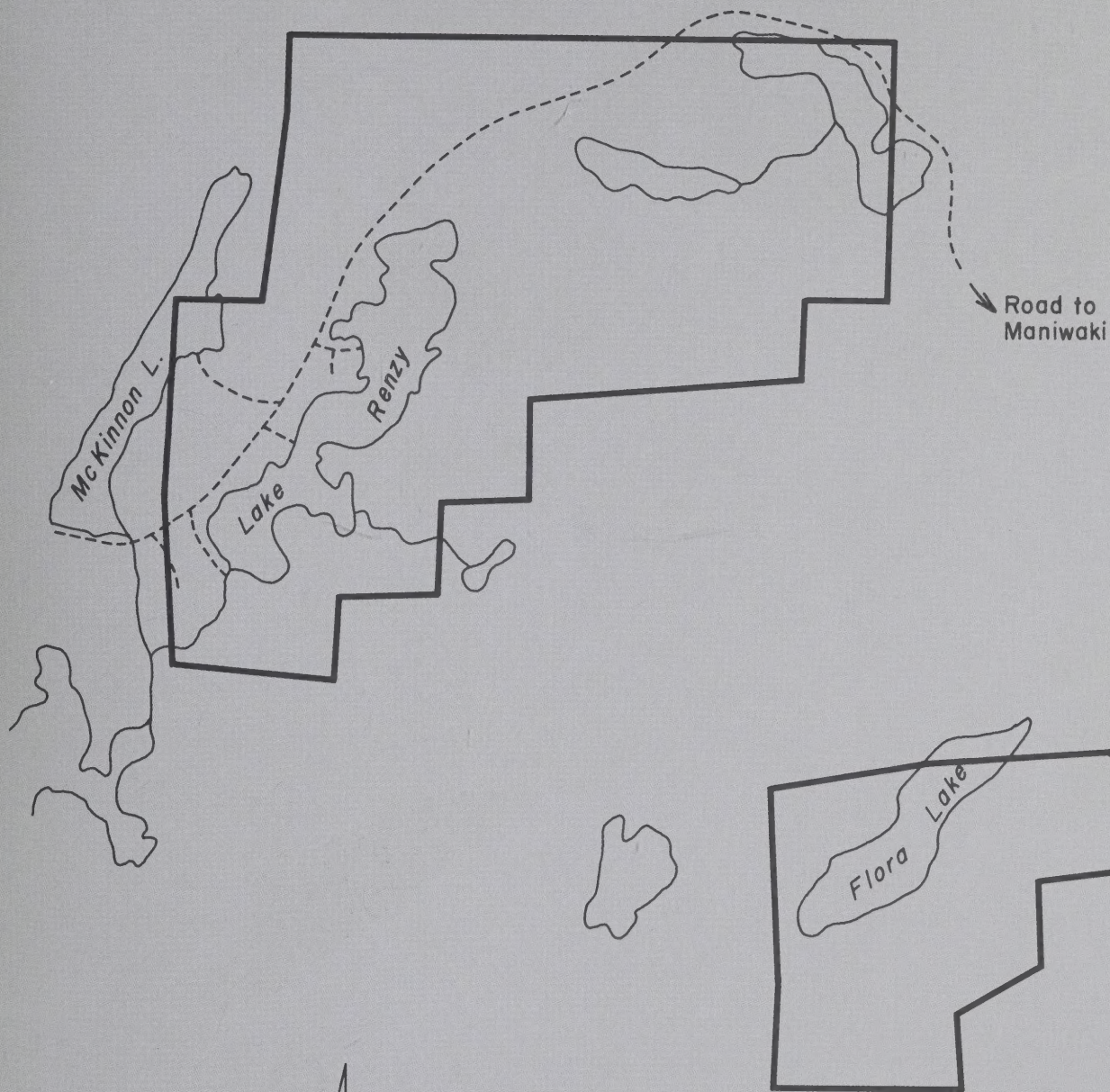
EDGAR BENARD, Chef

This is the most important man in camp.





RENZY MINES LTD.
OPEN PIT SECTION 1151N
HAINAUT TWP, QUEBEC



RENZY MINES LTD.
PROPERTY PLAN
HAINAUT TWP, QUEBEC

